

# Financing Your Tech Company - Angel and VCC Sources

BCTIA  
Tech Forum Speakers Series

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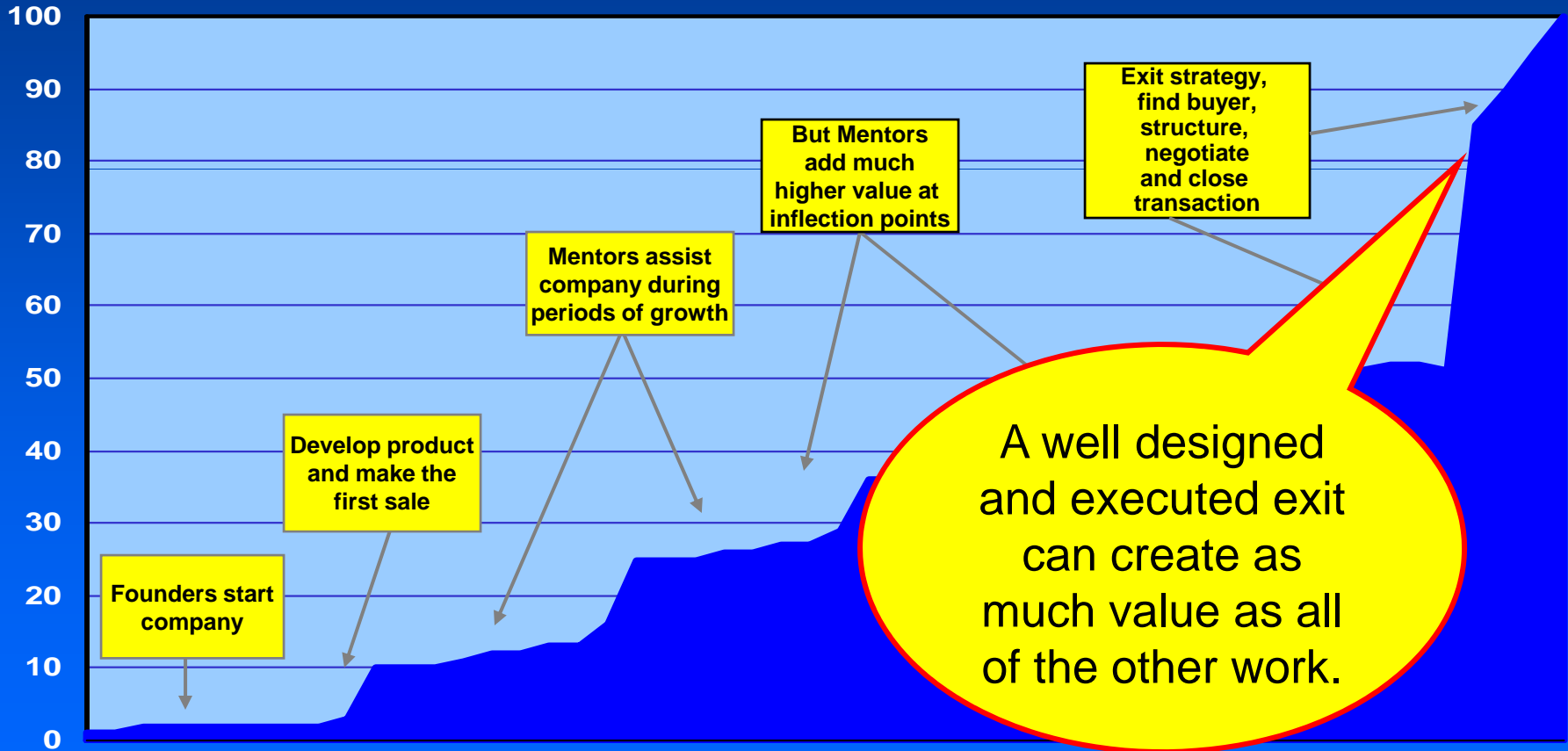
By Basil Peters

# Building Company Value

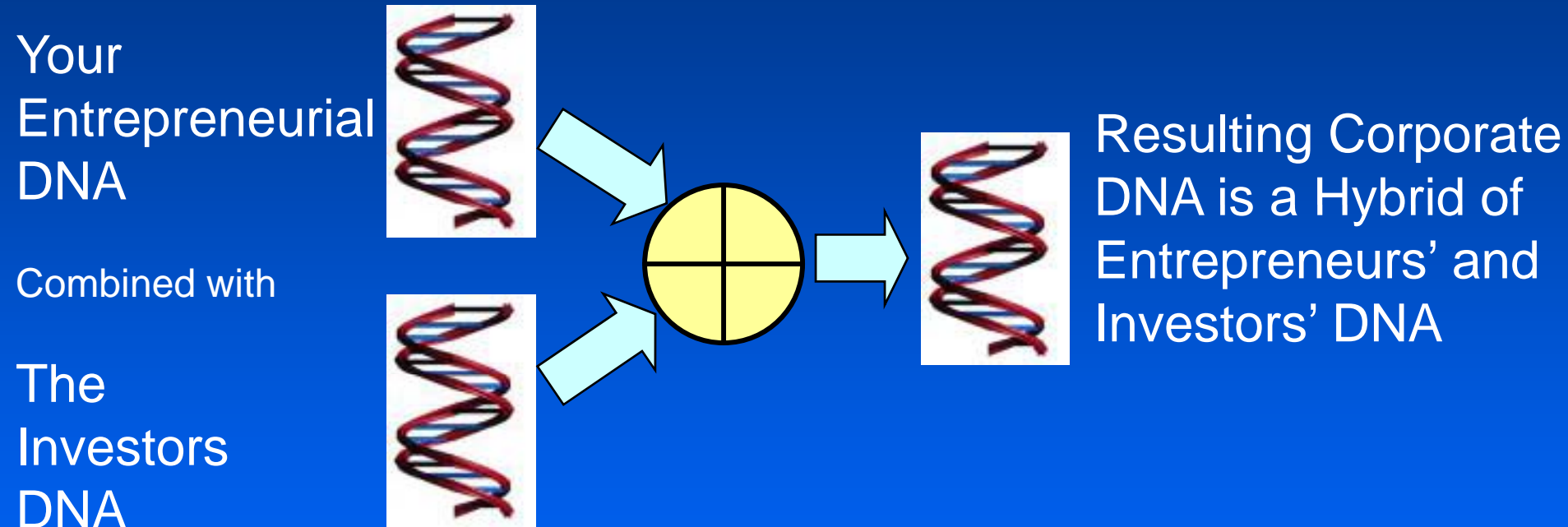
Founding = 10%

Equal Tactics & Strategy = 40%

Exit Strategy & Execution = 50%

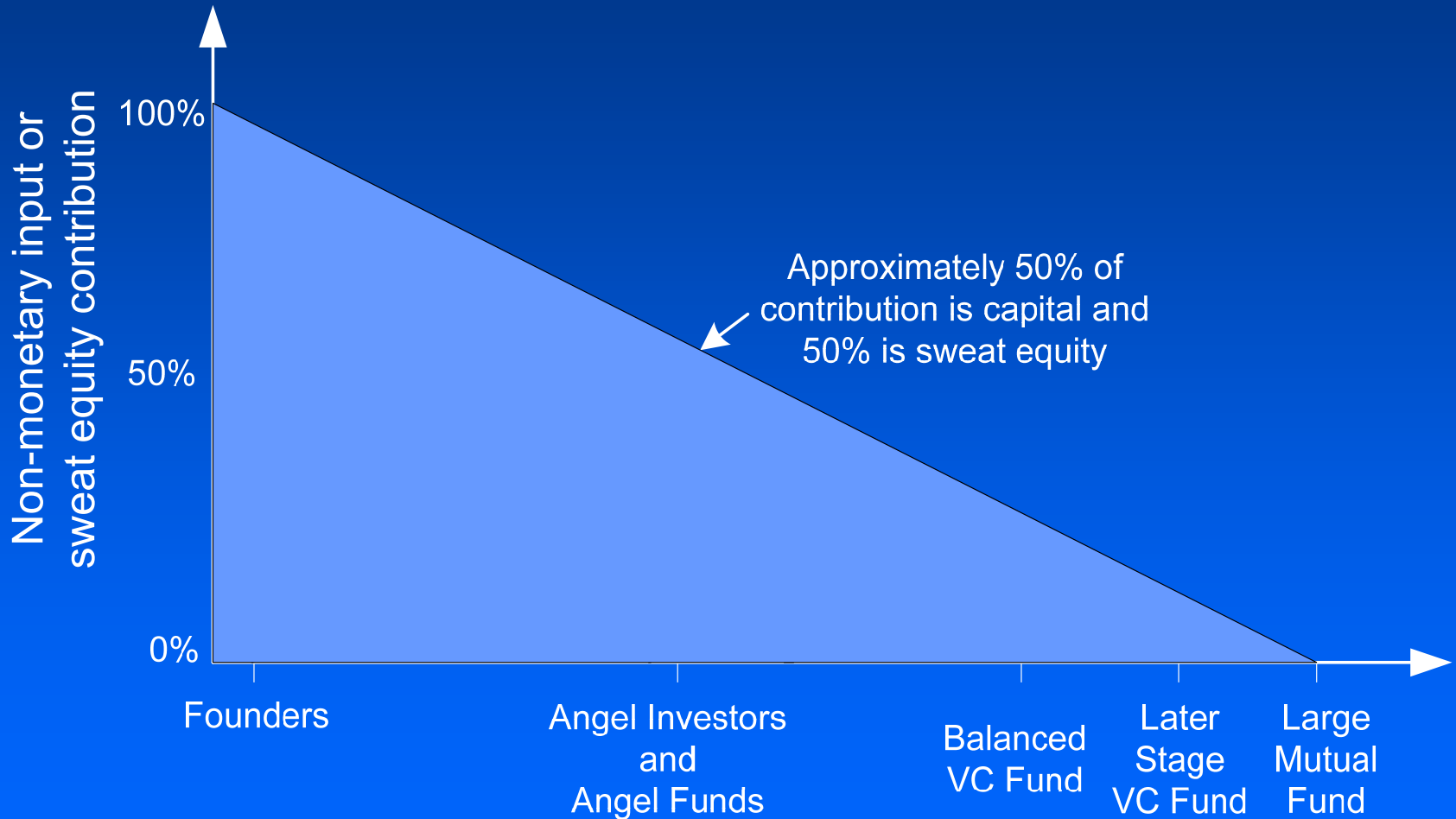


# Adding Financial DNA



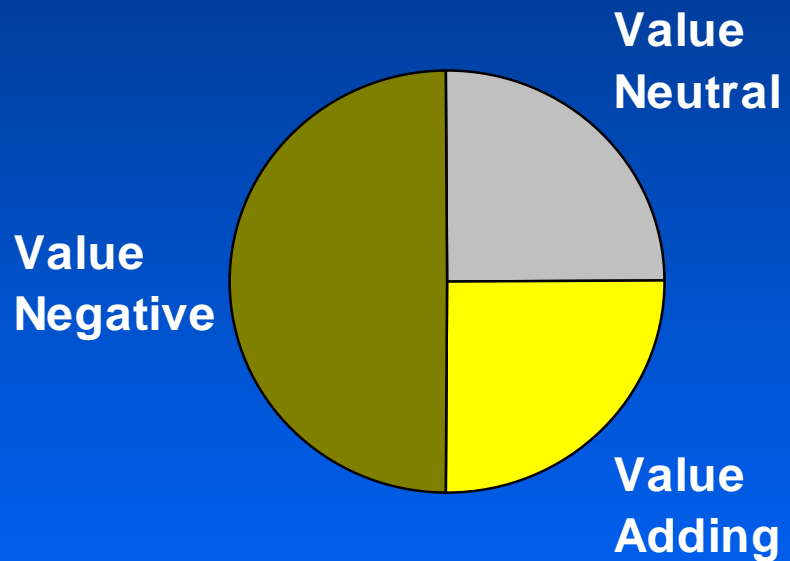
Check the compatibility first

# Two Types of Contributions



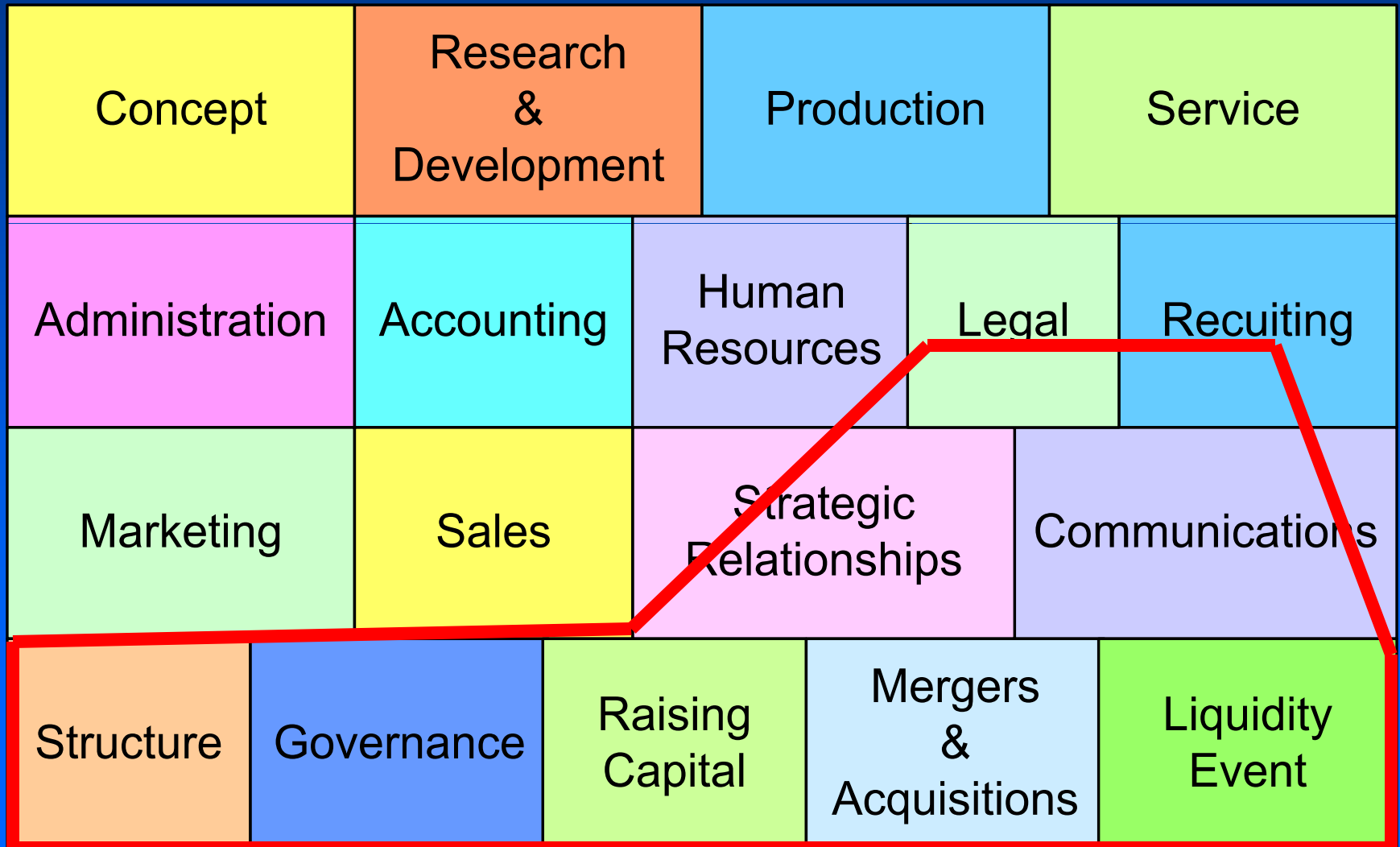
# The Type of Investors You Want

- There are three types of investors:
- Value adding
- Value neutral
- Value negative

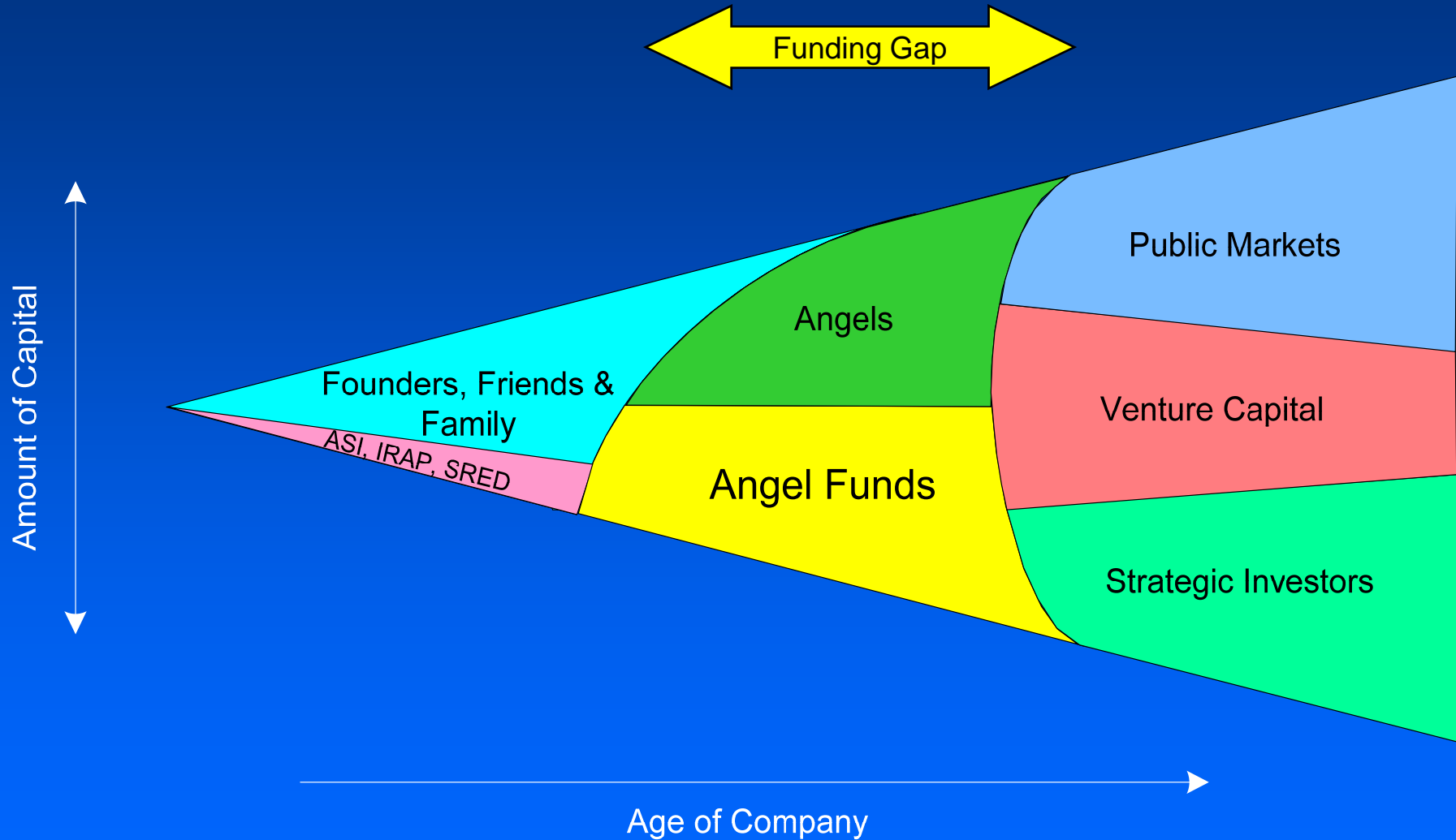


Do reference checks

# Financial Partner Contributions



# Sources of Capital



# Vancouver Sources of Capital

- Angels – two excellent local groups:
  - [www.vef.org/angels/index.html](http://www.vef.org/angels/index.html)
  - <http://www.confmanager.com/main.cfm?cid=77&nid=1073>
- Angel Funds:
  - [www.BCTechFund.com](http://www.BCTechFund.com)
  - [www.wutif.ca](http://www.wutif.ca)
  - [www.FundamentalTechnologiesII.com](http://www.FundamentalTechnologiesII.com)
- Early Stage Venture Capital Funds:
  - [www.BCAdvantageFunds.com](http://www.BCAdvantageFunds.com)
  - [www.Yaletown.com](http://www.Yaletown.com)
- Mid to Later Stage Venture Capital Funds:
  - [www.BCDiscoveryFund.com/](http://www.BCDiscoveryFund.com/)
  - [www.Growthworks.ca](http://www.Growthworks.ca)
  - [www.PenderFinancial.com](http://www.PenderFinancial.com)
  - [www.VenturesWest.com](http://www.VenturesWest.com)

# The VCC Program

- Outstanding initiative of Gordon Campbell's government.
- BC initiative being copied across Canada
- Jim Fletcher and National Angels working on Feds
- Two parts to the program:
  - Direct investment, or EBC, program
  - VCC Funds like Discovery, Advantage, WUTIF, Pender

# VCC Funds vs Angel Funds

	<b>VCC Fund</b>	<b>Angel Funds</b>
Have a tax credit	Yes	No
Invest anywhere including BC	No	Yes
Invest in public co's except new treasury	No	Yes
Buy founders stock	No	Yes
Invest in co's with over 100 employees	No	Yes
Control with others	No	Yes
Invest in debt	No	Yes

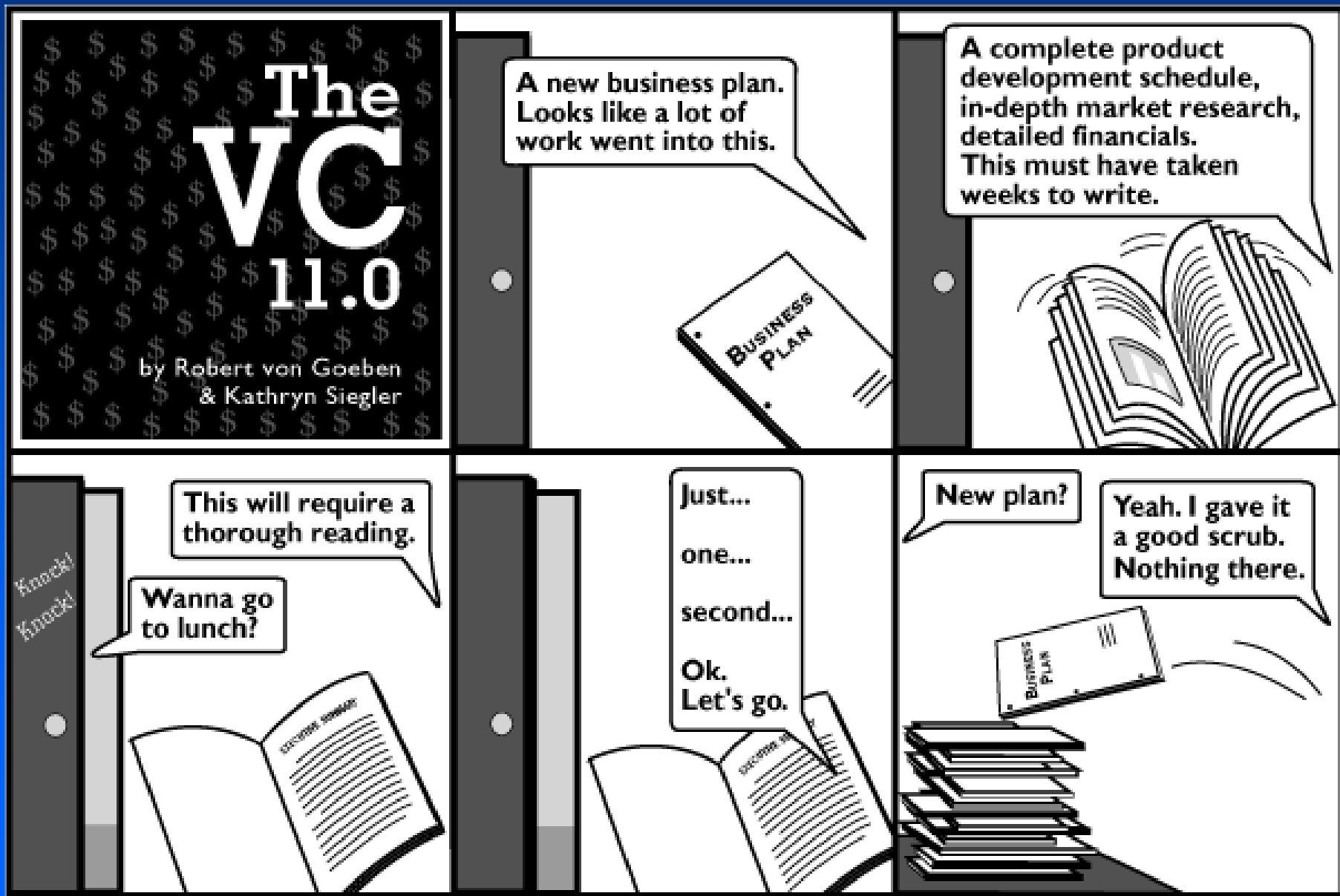
# Key Elements to Obtain Funding

1. Investment worthy concept
2. Team – much more important than #1
3. Good structure
4. Fair valuation and terms
5. Excellent board and mentors
6. Good prospects for a liquidity event

# The Business Plan

- Very simply – an intelligence test.
- The format must be perfect.
- If you have a web browser, there is no excuse.
- The financials are the hardest part.
- Except possibly for the bios.
- If you've only done a couple of dozen, get coaching!

# What Happens to Your Plan



# Getting a VC's Attention

- What it looks like from my perspective.
- Dozens of business plans per week.
- You need an introduction.
- Ideally from someone who has written a cheque.
- And has some credibility with me.

# Just Don't Feel Like It

## The VC

Life at the conference table

by Robert von Goeben  
& Kathryn Siegler

<http://www.thevc.com>

### THE BRUSH-OFF

We like your company a lot, but we'll have to pass.

"Can you tell me why?"

We did extensive due diligence so let me give you some feedback. First off, the market is too small.

"But Forester projects this space to be \$3 trillion by 2002!"

Uh ... OK, the technology isn't defensible.

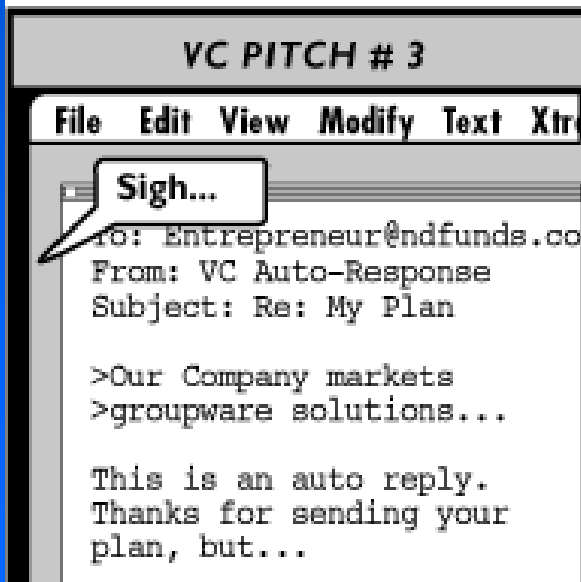
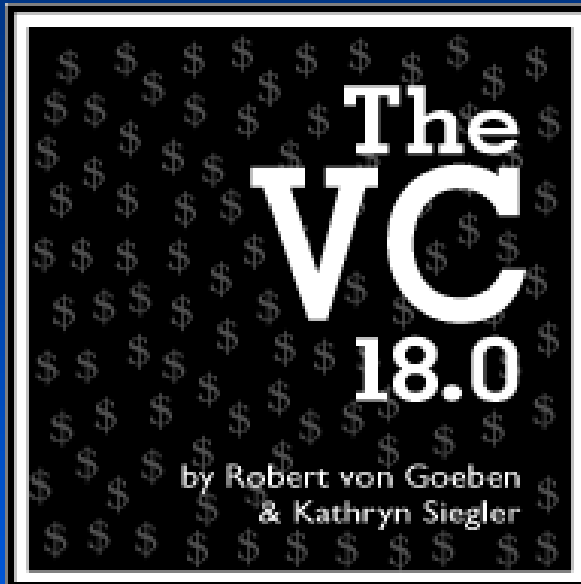
"What do you mean? We hold twelve patents in the area!"

Your CTO is inexperienced in the space.

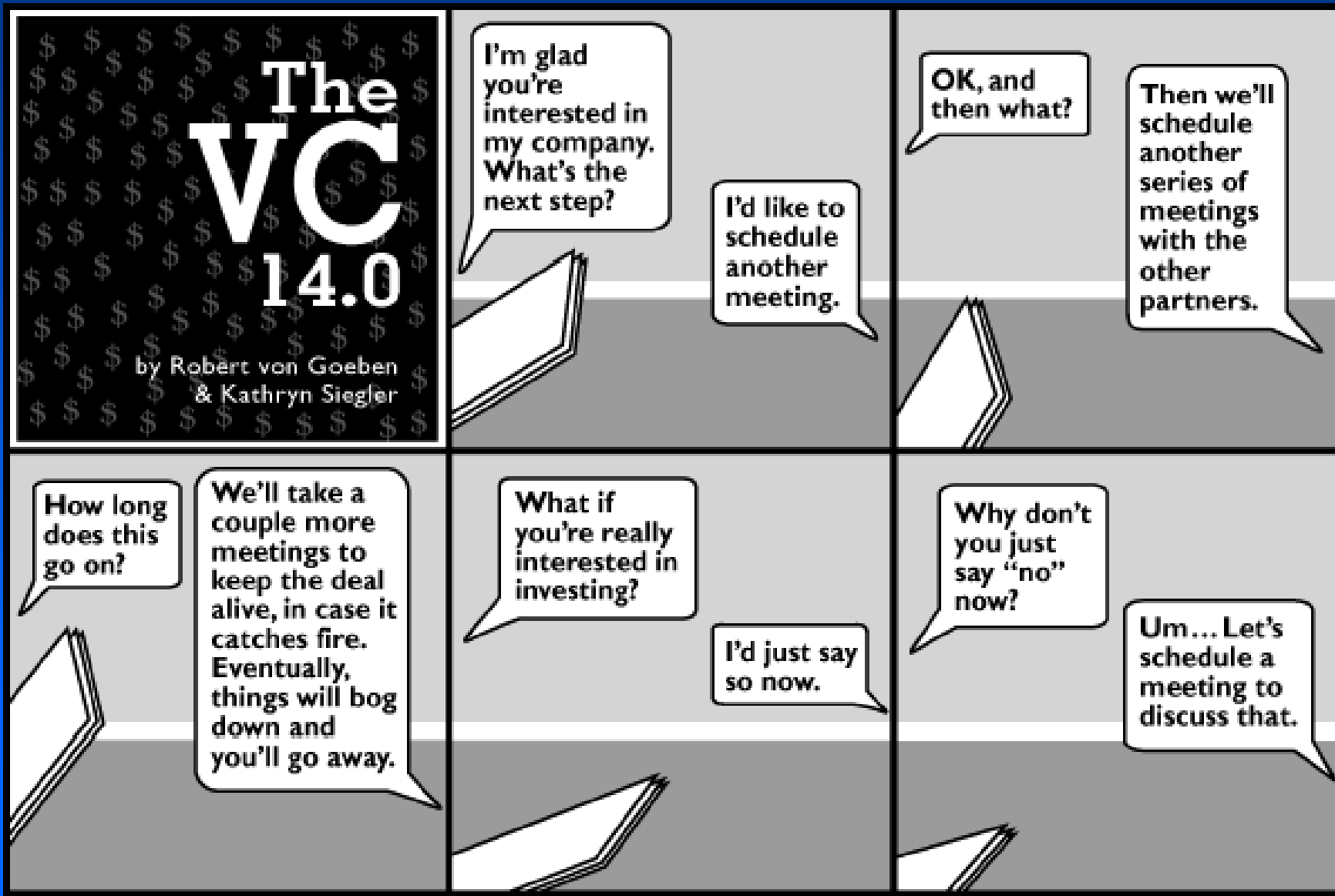
"The Guy's authored three books on the subject. What more do you want?!"

Well, ... um ... Look, we just don't feel like it, OK?

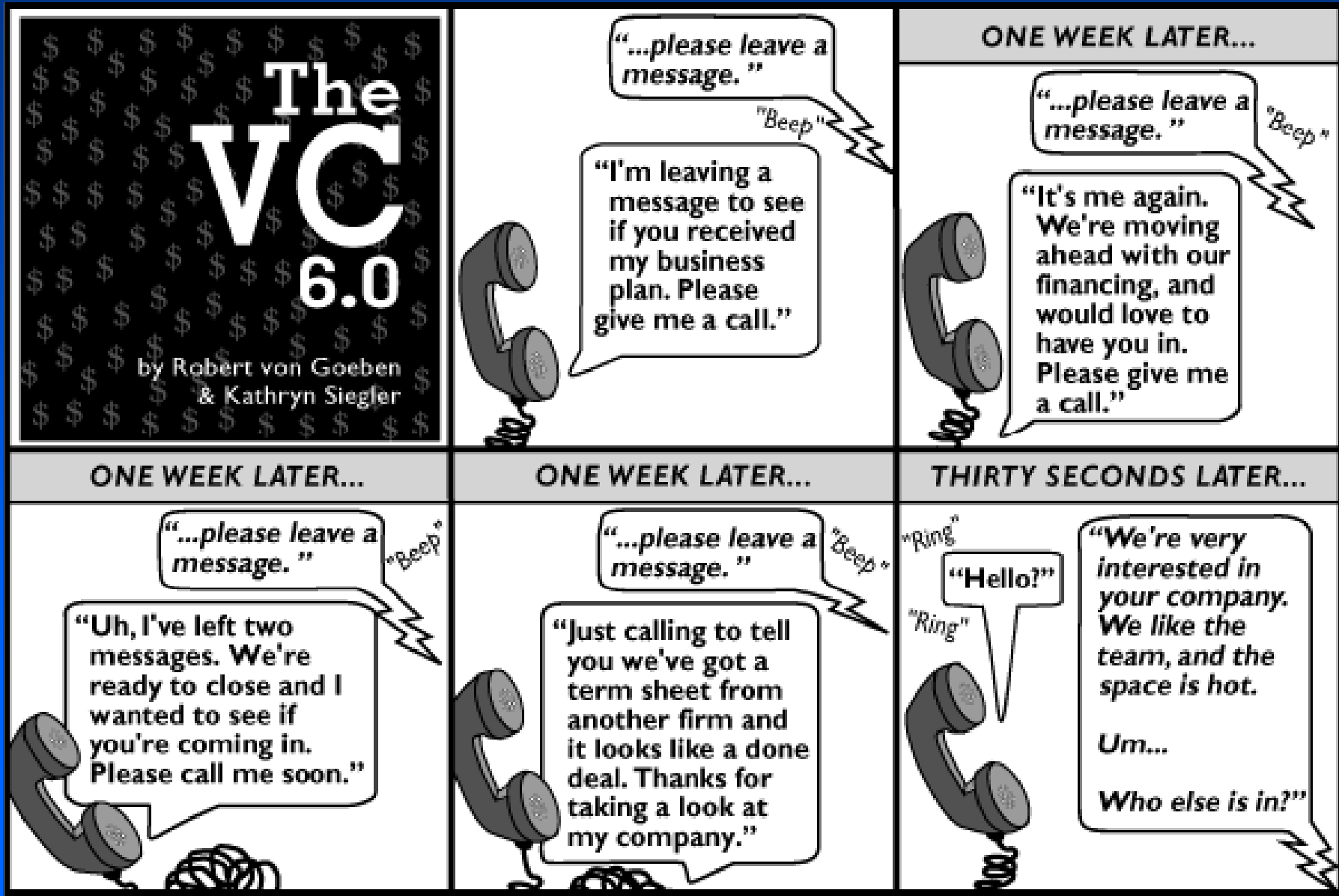
# Packaging Can Make the Difference



# Never Saying "No"



# Creating Urgency



# Board Evolution

- In the very early days, the board is often the founders.
- That is OK because they are often the only shareholders.
- As the company matures, the board must too.
- One of the most common reasons that companies fail to attract good quality investors,
  - Is that the board is not ready.

# Corporate Governance Today

- Probably the biggest change for early-stage companies over the past few years.
- Much more important than five years ago.
- Corporate Governance will continue to increase in importance for many years.
- Enormous topic – would also take days to do justice to.

# Minimum Governance Guidelines For Externally Financed Companies

- Boards must be real and:
- Have a majority of independents.
- Who are successful and experienced.
- Who should have a real financial interest in the company.
- Should only have one member of management, the CEO.
- Chairman cannot be CEO.

# Harder to attract good directors

Business in Vancouver February 18-24, 2003

## Insurance hikes force lawyers off boards

Clark, Wilson discourages appointments; partner off DataWave board

Tracy Tjaden

**U**.S. corporate governance scandals have pushed insurance rates sky-high, forcing one Vancouver law firm to discourage its lawyers from sitting as directors of public companies.

Bernard Pinsky, a partner of corporate law firm Clark, Wilson, resigned from Vancouver-based DataWave Systems Inc.'s board of directors February 7.

In total, Clark, Wilson lawyers have resigned from half a dozen boards in recent months.

Two years ago, its lawyers sat on about 25 boards of public companies, Pinsky said. The firm's lawyers are in the process of resigning from all public company boards.

The firm's insurance costs for directors' and officers' liability insurance shot up 150 per cent this year over last year. That's after a 75-per-cent increase last year over the year before.

"It's the big corporate governance failures in the U.S. that have driven rates up because [the insurance companies] are paying out billions," said Pinsky.



Resigned: Lawyer Bernard Pinsky left DataWave board due to insurance costs

# Board Commitment

- It's much harder to recruit a good board today.
- No, an advisory board won't do.
- Directors must make a meaningful investment.
- If you can't get a good board committed,
- Do you really think its fair to ask someone to invest?
- Good news is that early-stage funds and angels will often help you build a good board.

# Current Thinking on Structures

- Instead of complicated preferred shares and hundred page definitive agreements,
- Today, investors are returning to fundamentals including:
  1. Reasonable valuations
  2. Common sense structures and vesting
  3. Excellent corporate governance

# Summary

- There is a lot more to doing this successfully, than can be summarized in a 15 min PowerPoint
- You need Mentors and people who have done it
- Lots of good resources online and in Vancouver:
- [www.AngelBlog.ca](http://www.AngelBlog.ca)
- For a copy of this presentation:
- [www.BasilPeters.com/Speaking\\_Engagements.html](http://www.BasilPeters.com/Speaking_Engagements.html)
- Thank you.